



Tennessee State Board of Accountancy
Department of Commerce and Insurance

500 James Robertson Parkway, 2nd Floor

Nashville, Tennessee 37243-1141

(615) 741-2550 Fax (615) 532-8800

MINUTES

TENNESSEE STATE BOARD OF ACCOUNTANCY MEETING

March 20, 2003

The meeting of the Tennessee State Board of Accountancy convened in the Davy Crockett Tower, Nashville, Tennessee March 20, 2003, at 11:00 am.

Members present were L. Dan Johnson, Chairman; David Curbo, Vice-Chairman; Micheal Vaughn, Secretary; Mark King, Charles Frasier, Deborah Henderson, Mickey Ison, Grady Williams, Bill Dunavant, Mark Layne, and Maxie Patton. Also present were Darrel Tongate, Executive Director; M. Connaught O'Connor, Staff Counsel; Leona Holston, Administrative Assistant; Linda Biek, Investigator; Dan Syriac, Administrative Manager; and Brad Floyd, Executive Director of the TSCPA.

Dan Johnson called the meeting to order at 11:00am. Mr. Johnson asked for a motion to approve the minutes from the November 15, 2002 Board meeting. Mark Layne motioned to approve the minutes for the November Board meeting. Mickey Ison seconded the motion; it was voted on and passed.

Darrel Tongate presented the Executive Director's Report: (see attached report)

- 1) Darrel announced the next Board Meeting dates as June 23rd, August 25th and November 14th.
- 2) NASBA's next annual meeting is in Maui Hawaii. NASBA has agreed to pay for five of us to attend.
- 3) We need proctors for the May Exam on the 7th and 8th.

	May 7 th	May 8 th
Nashville:	Mike Vaughn	Charles Frasier
Knoxville:	Mark King	Mark King
Memphis:	Deborah Henderson	Mickey Ison

- 4) George Parrott's reinstatement hearing is deferred until the June Board Meeting.
- 5) Response from CPA2BIZ regarding their advertisement and referral fees is attached.
- 6) See attached letter nominating Diane Rubin as Vice-Chair of NASBA.
- 7) Hertz upgrade cards were sent over to us from NASBA.
- 8) November Exam had two problem candidates, see NASBA Report. It is up to the Board if we should do anything. The Board agreed to watch the 1st candidate at the May exam since this person did not pass any part of the exam. The Board agreed not to take any action on the 2nd individual. This person was monitored all day at the Exam and there was no evidence of cheating.
- 9) Florida has not responded to our letter regarding their temporary CPA license fee of \$400 per engagement. The Board agreed to direct the staff to charge \$400 for Florida licensees that apply for a Tennessee temporary permit.
- 10) We have asked for an 8 month extension of the CPA exam contract with NASBA.
- 11) Attached is a revised budget for the Accountancy Board in relation to TCA 62-1-121 which allows us to use our fund balance to offset current expenses. Commerce & Insurance is cutting 13 positions due to the State budget cuts, see attached memo from Commissioner Flowers.
- 12) Do we need a committee to study the Sarbanes-Oxley Bill? A lengthy discussion took place and it was agreed that the Peer Review Committee will also be the Committee to study the Sarbanes-Oxley Bill and the PCAOB Peer Review Program when it is finalized. Also, the Committee will schedule to meet and work along with the TSCPA Committee.

- 13) NASBA's Examinations Committee is seeking nominees for their Board of Examiners and Related Committees.
- 14) See attached recommendations for Rule Changes #14-A, 14-B & 14-C. A discussion took place regarding notifying the public of Rule Hearings and releasing rule change recommendations/revisions to the TSCPA. The rule change processed was outlined as follows:
 - a) Board debates and comes up with revisions or recommendations.
 - b) Attorney writes up the new rules and sends them to the Secretary of State's Office.
 - c) Attorney submits new rules to the Attorney General's Office.
 - d) Rules can be released to the public, TSCPA, etc.
 - e) The Board must wait at least 45 days to have the Rule Making Hearing where the Board votes on and approves each rule.
- 15) See attached Model CBT Rules, #15-A, with Darrel's proposed changes to fit them for Tennessee. Come back to June Meeting ready to debate.
- 16) The NASBA Focus questions were reviewed and discussed. Dan Johnson motioned to accept the Focus Question answers. Mike Vaughn seconded the motion; it was voted on and passed.
- 17) A renewal test was performed with Darrel's CPA and Firm renewals to see how long it took the Department of Revenue to process renewals. The test proved that Revenue processes renewals within three days, whereas renewals mailed to our building can take up to three weeks to process.
- 18) We had five grade review requests. No CPA exam grades were changed.
- 19) We received a letter from a CPA who wants to go INACTIVE because of the Professional Privilege Tax. TCA 62-1-107 requires him to have an ACTIVE license. There was a brief discussion and the Board agreed to have Darrel send a letter in response quoting 62-1-107 as the law, express regret, and also explain the surrender certificate option.
- 20) We received a letter from Peggy Romano requesting grandfathering of all PA's to CPA's to delete the PA profession. Our statute does not allow for grandfathering of PA's any longer. The Board agreed for Darrel to send a letter in response informing her that our law no longer allows for PA conversion grandfathering.
- 21) NASBA wants to use our candidate base to test the CBT system in checking candidate qualifications. Board agreed with the stipulations that names and social security numbers not be used in the test so the individuals can't be tracked. NASBA will have to use fictitious names and social security numbers.

Connaught O'Connor presented the Attorney's Report/Probable Cause Committee report (copy attached) Ms. O'Connor presented the Final Agreed Order for Robert Jerry Jackson, see attached, to be voted on for acceptance by the Board Members. Discussions took place, then Dan Johnson called for a roll call vote to accept the agreed order of revocation of Mr. Jackson's TN CPA certificate. Deborah Henderson voted YES, Mickey Ison voted YES, Maxie Patton voted YES, Grady Williams voted YES, Mark King voted YES, David Curbo voted YES, Dan Johnson voted YES, Mike Vaughn voted YES, Mark Layne voted YES and Charles Frasier voted YES. Bill Dunavant had to leave the meeting early and was not present to vote.

Ms. O'Connor presented the following recommended changes to the case report as agreed to by the Probable Cause Committee. New Case #5 – Change to Dismiss. New Case #31 – Add, litigation monitoring. New Case #33 – Add, Peer Review not due to State Board until 2004. New Case #37 – Clarify Consent Order for \$250 for not having a firm registration and a Consent Order for \$250 for not having a current CPA certificate. New Case #41 – Add, \$150 Civil Penalty. New Case #42 – Add, Obtain Litigation Monitoring and obtain court documents. New Case #46 – Clarify, Our mistake, should not have been in CPE Audit. New Case #47 – Delete, duplicate case. New Case #56 – Add, Consent Order for Agreed Revocation. New Case #59 – Clarification of dates, should be 2001 & 2002. The following cases were reviewed by a Board Member with the Reviewing Board Member making recommendations of action to the Board. New Case #3 – Mark King made the recommendation to Dismiss. New Case #8 – Mark King made a recommendation to bring the individual in for an Informal Conference. New Case #52 – David Curbo made a recommendation to issue a Consent Order for the CPA to agree to file in a timely manner, respond to the Board and pay a \$250 civil penalty. New Case #53 – David Curbo made the recommendation to refer this case back to investigation since some new information has been uncovered. New Case #54 – David Curbo made a recommendation that we

issue a Consent Order for the individual NOT to practice without a license, \$150 civil penalty per year (1999/2000) for not having a firm registration, \$250 civil penalty per year (1999/2000) for not having an Active CPA certificate. Total Consent Order, Civil Penalty will be \$800. New Case #60 - - Micheal Vaughn made a recommendation to issue a Consent Order offering the CPA the option to surrender the CPA certificate or get the proper CPE required by our law. If the individual does not comply with the Consent Order then bring him/her in for a Formal Hearing. Mike Vaughn motioned to approve the report and recommendations as amended. Mickey Ison seconded the motion; it was voted on and approved.

Grady Williams presented the CPE Committee Report. (Report attached) Mr. Williams opened the floor for discussion of the Ethics Rules and what other states are doing. Grady Williams motioned to approve the issuance of 130 new CPA certificates and 58 reciprocal CPA certificates whose experience and other qualifications have been approved by the Board's staff. Charles Frasier seconded the motion; it was voted on and approved.

Micheal Vaughn presented the Peer Review Committee Report. He reported that 508 firms were due peer reviews in 2002. Of those, all firms have responded. Mr. Vaughn informed the Board that the Committee would like to recommend to the Sub-Committee that any firm that receives an 'S' (Substandard) on two consecutive peer reviews should have their peer review cycle accelerated and have the next peer review in 12 months. Also, the sub-committee should consider filing a complaint, requiring pre-issuance reviews, and/or requiring additional CPE.

Old Business:

A discussion took place regarding the salary requests, which have not been processed as approved by the Board. It was brought to the Board's attention that it is in our Law for the Board to be able to set salaries for the Staff. Also, if we continue to lose our fund balance which is an accumulation of revenues in excess of expenses, it appears that Tennessee CPAs are being charged licensing fees that are not fair and result in CPAs assisting in balancing the State's general operating fund. If this continues the Board should consider reducing the licensing fees to Tennessee CPAs.

BREAK

New Business:

Rule Changes Discussion : (see attached page #14-A of Executive Director's Report)

- 1) David Curbo motioned to amend this rule to read "Carry over hours cannot be used to satisfy technical, attest, or professional testimony of Rule 0020-5-.03 to meet A thru C respectfully." Mike Vaughn seconded the motion. A vote was taken with results of six YES, three NO and one abstention.
- 2) Changed the wording in the last sentence to read "...transferable as credit by the degree granting institution." Grady Williams made a motion to approve. Mickey Ison seconded the motion; it was voted on and approved.
- 3) Grady Williams made a motion to accept the rule as written. Mike Vaughn seconded the motion; it was voted on and approved.
- 4) Mickey Ison made a motion to accept the rule as written. Deborah Henderson seconded the motion; it was voted on and approved.
- 5) Grady William made a motion to accept the rule as written. Mike Vaughn seconded the motion; it was voted on and approved.
- 6) Mike Vaughn made a motion to accept the rule as written. Grady Williams motioned to make a correction, page 66 should be page 60. Mickey Ison seconded the motion; it was voted on and approved.
- 7) Mike Vaughn made a motion to accept the rule as written. Linda Biek asked the Board to add "audits of" before Governmental Entities and delete the word "audit" at the end of that sentence. David Curbo seconded the motion; it was voted on and approved.
- 8) Mike Vaughn made a motion to accept the rule as written. David Curbo seconded the motion; it was voted on and approved.

CBT Rule Changes Discussion : (see attached pages #15-A thru #15-F of Executive Director's Report)

A discussion of the importance of these rules took place and it was decided that Leona would prepare a comparable document that would show the original CBT Rules and also Darrel's suggested changes. The CBT Rules discussion will be on the Agenda for the June Board Meeting with the final rules to be voted on in August.

Charles Frasier asked for a clarification; if we allow a person to pass one part of the CPA exam at a time, would that make us different from other states? Darrel stated that ALL states using the CBT will be the same based on what he has heard from other Boards at this time.

There being no further business to come before the Board the meeting was adjourned.

CHAIRMAN

SECRETARY